

Administrative Manual



First Time Homebuyer Programs

Prepared for:

City of Brentwood

January 2006

Seifel
CONSULTING INC.

221 Main Street
Suite 420
San Francisco CA
94105

415.618.0700
fax 415.618.0707
www.seifel.com



First Time Homebuyer Programs Administrative Procedures Executive Summary

1. Summary

The Administrative Procedures of the City of Brentwood's First Time Homebuyer Programs contains the procedures related to the:

Downpayment Assistance Program (DAP): Supports first time homebuyers purchasing market rate homes with assistance up to the DAP maximum loan limit, currently \$50,000, in order to provide a larger downpayment contribution, therefore lowering the monthly payment.

Affordable Housing Program (AHP): Allows qualified first time homebuyers to purchase below market rate (BMR) homes. The resale price of homes is restricted based on affordable housing cost to a target income level to ensure continuing affordability in Brentwood.

Gap Assistance Program (GAP): Facilitates first time homebuyers purchasing BMR units from the City's Affordable Housing Program by providing additional assistance up to the GAP maximum loan limit, currently \$35,000, for closing costs or downpayment.

Individual Development Accounts (IDA): Promotes saving for homeownership in Brentwood for very low income households by providing matching loan funds on a 2:1 basis up to the maximum IDA limit, currently \$10,000.

The manual provides a description of these programs, an overview of eligibility requirements and program procedures, as well as a summary of procedural requirements and related forms. The appendices include detailed requirements (attachments) and forms for the borrowers (homebuyers), City staff and approved lenders.

2. Process

The flow chart on the following page outlines the process to be undertaken for the purchase of a BMR unit and/or receipt of City loan funds. The basic steps are as follows:

The Housing Division will open a wait list to which a potential borrower (homebuyer) must apply.

Once the Housing Division determines that the borrower (homebuyer) may be eligible, the borrower will be contacted to attend the first of two mandatory First Time Homebuyer classes and bring documents to verify their first time homebuyer status, income and preferences.

Housing Division staff will verify eligibility and hold a lottery, if needed, to select borrowers (homebuyers) to become pre-qualified with an approved lender.

Pre-qualified borrowers (homebuyers) will be notified of available funding and/or BMR units. They will have 60 days to attend the second of two mandatory First Time Homebuyer classes, obtain a first mortgage from an approved lender and submit a final application. (Approved lenders will submit the final application on behalf of those seeking a City loan.)

Housing Division staff will review applications and issue a City Loan Commitment (if applicable).

Loan documents will be executed, and City loan funds will be submitted to escrow.

Before close of escrow borrowers (homebuyers) will submit an affidavit of owner occupancy.



First Time Homebuyer Programs Administrative Procedures

B. Introduction

1. Summary of Programs

The Administrative Procedures of the City of Brentwood's First Time Homebuyer Programs contains the procedures related to the:

Downpayment Assistance Program (DAP): Supports first time homebuyers purchasing market rate homes in Brentwood with assistance up to the DAP maximum loan limit, currently \$50,000, in order to provide a larger downpayment contribution, therefore lowering the monthly payment.¹

Affordable Housing Program (AHP): Allows qualified first time homebuyers to purchase below market rate (BMR) homes in Brentwood in accordance with chapter 17.725 of the Brentwood Municipal Code (the "Affordable Housing Ordinance"). The resale price of homes is restricted based on affordable housing cost to a target income level to ensure continuing affordability in Brentwood.

Gap Assistance Program (GAP): Facilitates first time homebuyers purchasing BMR units from the City's Affordable Housing Program by providing additional assistance up to the GAP maximum loan limit, currently \$35,000, for closing costs or downpayment.²

Individual Development Accounts (IDA): Promotes saving for homeownership in Brentwood for very low income households by providing matching loan funds on a 2:1 basis up to the maximum IDA limit, currently \$10,000.³

The Administrative Procedures are also available on the City's website at www.ci.brentwood.ca.us. These Procedures may be amended and updated from time to time. Please refer to the City's website to determine the most current version of these Procedures.

2. Document Organization

This manual is organized into the following sections:

- A. Introduction and Summary of Programs
- B. Program Descriptions
- C. Overview of Eligibility Requirements
- D. Description of Attachments and Forms
- E. Borrower (Homebuyer) Procedures
- F. City Procedures

¹ This is the current limit approved by the Brentwood City Council. Limits may be modified in the future by the City Council.

² *Id.*

³ *Id.*

G. Lender Procedures

The appendices include detailed requirements and forms as outlined below:

Appendix A provides documents outlining borrower (homebuyer) requirements and forms required for completing the borrower (homebuyer) process.

Appendix B includes information for City Housing Division Staff and sample City loan documents.

Appendix C contains an outline of the City loan process and forms for approved lenders.

C. Program Descriptions

1. Downpayment Assistance Program (DAP)

This program is designed for qualified very low, low and moderate income first time homebuyers requiring assistance to purchase market rate homes. The program would assist the homebuyer by providing a larger downpayment, thereby lowering the first mortgage and the associated monthly mortgage payment.

a. Loan Terms and Repayment.

The maximum loan would be 15 percent (15%) of purchase price up to the DAP maximum loan limit, which is currently set at \$50,000 and may be modified in the future. The term of the loan would be the length of time the homeowner occupies the unit as the primary residence or the term of the first mortgage, whichever is less.

The loan interest rate would be calculated using a tiered simple interest rate that is dependent on the length of homeownership. If the length of homeownership is three years or less, the interest rate is seven percent (7%). If the length of homeownership is from three to ten years, the interest rate is five percent (5%). The interest rate is three percent (3%) if the length of homeownership is more than ten years. At the end of the term, the homeowner repays the City's loan (principal) plus the accrued interest.

The City seeks to leverage available funding and make as many DAP loans available as possible. Therefore, if California Housing Finance Agency High Cost Area Home Purchase Assistance Program (HiCAP) funds are available but the borrower (homebuyer) chooses not to use the HiCAP loan, the interest rate is seven percent (7%), regardless of the length of homeownership.

2. Affordable Housing Program (AHP)

This program is designed for qualified very low, low and moderate income first time homebuyers to purchase below market rate (BMR) homes in Brentwood. These units will have resale restrictions and will comply with California Community Redevelopment Law (CRL) and the Affordable Housing Ordinance.

a. Resale Restrictions and Resale Appreciation Calculation

If the homebuyer purchases a BMR unit through the City's Affordable Housing Program, the homebuyer purchases the unit at a restricted affordable price, correlated with their income level. Resale restrictions will be recorded against the property in order to maintain the affordability of the unit for 45 years.

In the event that the household wishes to sell the home prior to the termination of the resale restrictions, the City and homebuyer will calculate the affordable housing price at the time of sale (Affordable Housing Cost) to ensure that the City can continue to maintain the affordability of the unit.

The Affordable Housing Cost is calculated based on the original purchase price and the percent change in median income for Contra Costa County. (The original purchase price may not exceed a maximum based on the affordable housing cost at the time of the purchase, related to the household's income level.) To calculate the future Affordable Housing Cost, the original purchase price is then increased by the percent change between the median income for Contra Costa County at the time of purchase and the median income at the time of sale or transfer. (See Attachment B-1 for a sample affordable housing cost calculations.)

This method provides the City with a steady, consistent way of calculating the future Affordable Housing Cost. It also protects both the City and homeowner from market changes and interest rate fluctuations.

3. Gap Assistance Program (GAP)

The intention of GAP is to assist qualified very low, low and moderate income first time homebuyers who require gap financing in order to purchase BMR units through the City's Affordable Housing Program. These units will have resale restrictions and will comply with the CRL and the Affordable Housing Ordinance.

a. Loan Terms and Repayment

The maximum loan amount is the GAP maximum loan limit, which is currently set at \$35,000 and may be modified in the future. The term of the loan would be the length of time the homeowner occupies the unit as the primary residence or the term of the first mortgage, whichever is less. The GAP is designed as a simple interest loan program, calculated at a three percent (3%) simple interest rate. At the end of the loan term, the homeowner repays the City's loan (principal) plus the accrued interest.

The City seeks to leverage available funding and make as many GAP loans available as possible. Therefore, if California Housing Finance Agency High Cost Area Home Purchase Assistance Program (HiCAP) funds are available but the borrower (homebuyer) chooses not to use the HiCAP loan, the interest rate is seven percent (7%).

b. Resale Restrictions and Resale Appreciation Calculation

If the homebuyer uses a GAP loan to purchase a BMR unit through the City's Affordable Housing Program, the homebuyer purchases the unit at a restricted affordable price, correlated with their income level. Resale restrictions will be recorded against the property in order to maintain the affordability of the unit for 45 years.

Future Affordable Housing Cost is calculated as described above for the Affordable Housing Program.

4. Individual Development Accounts (IDA)

The Individual Development Accounts (IDA) helps qualified very low income first time homebuyers save money for a downpayment to purchase a BMR home in Brentwood. The City matches every dollar saved on a 2:1 basis, up to a maximum of \$10,000 (e.g. the household would contribute \$5,000, and the City would provide the matching funds of \$10,000, for a total of \$15,000.) To receive matching funds, the IDA must be used with the AHP or GAP to purchase a BMR home in Brentwood.

a. Loan Terms and Repayment

The IDA is an interest-free matching loan, up to a maximum of \$10,000. Funds will only be matched if the homebuyer uses them for a downpayment or to help pay closing costs in order to purchase a BMR unit through the City's AHP. The term of the loan is 10 years; however, the loan may be forgiven. If the homebuyer sells or transfers the home within the first five years, the homebuyer would repay the matching loan funds in their entirety. If the homebuyer lives in the home for five years, 50 percent (50%) of the IDA loan is forgiven. Each additional year the homebuyer remains in the home, 10 percent (10%) of the IDA loan is forgiven. If the homebuyer remains in the home for longer than 10 years, the IDA loan is forgiven in its entirety.

D. Overview of Eligibility Requirements

The following is a brief description of the requirements for eligibility in the City of Brentwood's First Time Homebuyer Programs. The full description of eligibility requirements may be found in Attachment A-1.

1. First Time Homebuyer—The City of Brentwood's First Time Homebuyer Programs are intended for homebuyers who have not owned a primary residence in the State of California within the past three years.
2. Household Composition and Eligibility—A household is comprised of one or more persons who may or may not be related and will live together in the unit. Every person who will be on title to the property must apply. Married couples must apply as co-applicants and both be on title unless they are legally separated.
3. Income Limits—Program participation is limited to moderate, low or very low income households. The Individual Account Program (IDA) is limited to very low income households.
4. Required Personal Contribution—The borrower (homebuyer) must have sufficient readily available assets for required personal contribution to downpayment and closing costs in the amount defined in Attachment A-1.
5. Asset and Gift Limits—Gift amounts to the borrower (homebuyer) and borrower (homebuyer) liquid assets have maximum amounts as defined in Attachment A-1. If liquid cash assets are not sufficient to meet the required personal contribution as described above, the borrower (homebuyer) will need to demonstrate that the personal contribution can be met from some other cash assets.
6. Owner Occupied—Within 60 days of close of escrow, the borrower (homebuyer) must occupy the unit as his or her primary residence and remain in residence with the entire household listed on the application.
7. City Homebuyer Classes—All borrowers (homebuyers) will be required to participate in two City-sponsored First Time Homebuyer Classes.
8. Residency/Work Status Preferences—Preference is given to Brentwood residents, full time workers in the City of Brentwood, local emergency services personnel and local school district employees.

E. Description of Appendices

The bulk of the regulations governing the City of Brentwood First Time Homebuyer Programs may be found in the appendices. Generally, Appendix A includes documents relating to borrower (homebuyer) procedures, Appendix B includes information for City Housing Division Staff and sample City loan documents and Appendix C contains forms and attachments for approved lenders. Summaries of the documents found in the appendices are as follows:

1. Appendix A: Borrower (Homebuyer) Attachments and Forms

Attachments

Attachment A-1: Eligibility Requirements—Details regarding eligibility for participation in City of Brentwood First Time Homebuyer Programs.

Attachment A-2: Verifiable Documentation of Income, Assets and Preferences—Definitions of what to include and exclude in calculating household income and assets and examples of types of documentation that may be required to verify income, assets and preferences.

Attachment A-3: Resident Selection Plan—Overview of City process used to select eligible borrowers (homebuyers) to receive funding and/or purchase a BMR unit.

Attachment A-4: Eligible Residences—Details of what type of homes may be purchased and requirements regarding the use of real estate brokers.

Attachment A-5: Financing and Legal Requirements—List of City approved lenders, City loan terms and information on defaults and foreclosures.

Attachment A-6: Maintaining the Unit—Details on living in the unit after purchase.

Attachment A-7: Selling and Transferring the Unit—Instructions on selling the unit and details on permissible transfers of title to the property.

Forms

Form A-1: Initial DAP Wait List Application—Application form submitted to City for borrowers (homebuyers) interested in purchasing market rate units to be placed on the wait list.

Form A-2: Initial AHP/GAP/IDA Wait List Application—Application form submitted to City for borrowers (homebuyers) who are interested in purchasing BMR units to be placed on the wait list.

Form A-3: Verifiable Document Checklist—Checklist of documents that the borrower (homebuyer) must bring copies of to the first mandatory First Time Homebuyer Class.

Form A-4: Uniform Residential Loan Application 1003—Standard mortgage application form that borrowers (homebuyers) must submit to approved lenders after selection by City to become pre-qualified.

Form A-5: DAP Wait List Recertification—Certification form to be completed on at least an annual basis by borrowers (homebuyers) interested in purchasing market rate units who have not yet become homebuyers.

Form A-6: AHP/GAP/IDA Wait List Recertification—Certification form to be completed on at least an annual basis by borrowers (homebuyers) interested in purchasing BMR units who have not yet become homebuyers.

Form A-7: Final City DAP Application—Application to be completed and sent to City by approved lender after borrower (homebuyer) has been selected to receive a DAP loan.

Form A-8: Final City AHP Application—Application to be completed by borrower (homebuyer) after selection to purchase a BMR unit through the AHP program.

Form A-9: Final City GAP Application—Application to be completed and sent to City by approved lender after borrower (homebuyer) has been selected to purchase a BMR unit through the AHP program and to receive a GAP loan.

Form A-10: City Legal Document Overview—Synopsis of City legal documents requiring borrower (homebuyer) signature in order to complete purchase of the home.

Form A-11: Owner Occupant Affidavit—Form to be completed by homeowners on at least an annual basis that certifies continued owner occupancy (requires witness of notary public).

2. Appendix B: City Attachments and Forms

Attachments

Attachment B-1: Affordable Housing Cost Calculations—Demonstration of how the City calculated BMR sales prices and an example of how to calculate the resale price of a BMR unit.

Forms

Form B-1: Certificate of Completion—Sample copy of certificate given to borrower (homebuyer) after completion of mandatory First Time Homebuyer classes.

Form B-2: DAP Loan Documents—Sample copy of DAP loan documents, including Loan Agreement, Promissory Note and Deed of Trust.

Form B-3: Refinance and Resale Limitation Agreement and Option to Purchase—Sample copy of AHP agreement that outlines refinance and resale restrictions and includes a performance Deed of Trust and Security Agreement.

Form B-4: GAP Loan Documents—Sample copy of GAP loan documents, including Loan Agreement, Promissory Note and Deed of Trust.

3. Appendix C: Lender Forms and Attachments

Attachments

Attachment C-1: City Loan Commitment—Explanation of City loan process and responsibilities of lender to complete City loan.

Forms

Form C-1: Lender Participation Agreement—Form to be signed by lender in order to participate as an approved lender in City of Brentwood First Time Homebuyer Programs.

Form C-2: Lender Quality Commitment—Statement of commitment to quality to be attached as an addendum to the Lender Participation Agreement.

Form C-3: Funding Request and Escrow Information Sheet—Form to be completed by lender to provide instruction to City for issuing DAP/GAP funds to escrow.

F. Borrower (Homebuyer) Procedures

1. **Initial Application**—In order to be placed on the wait list during an open period, prospective borrowers (homebuyers) who meet the eligibility criteria must submit EITHER *Form A-1: Initial DAP Application* OR *Form A-2: Initial AHP/GAP/IDA Application*. The borrower (homebuyer) will be notified within 14 days of their status. Applicants should review requirements for verifiable documentation and prepare to assemble their records.
 - Complete Form A-1: Initial DAP Application OR Form A-2: Initial AHP/GAP/IDA Application
 - Read Attachment A-1: Eligibility Requirements
2. **First Mandatory First Time Homebuyer Class**—Eligible borrowers (homebuyers) with confirmed status on the wait list will be contacted to attend the first of two mandatory City-sponsored First Time Homebuyer classes. Borrowers (homebuyers) will be asked to bring *Form A-3: Verifiable Document Checklist* along with verifiable documentation to support eligibility, preferences and availability of required personal contribution to the first class. Borrowers (homebuyers) should not bring original documents as supporting documentation.
 - Complete Form A-3: Verifiable Document Checklist
 - Read Attachment A-2: Verifiable Documentation of Income, Assets and Preferences
3. **Lender Pre-Qualification**—In the event that the number of eligible borrowers (homebuyers) on the wait list is much larger than the level of annual funding or availability of BMR units, the City reserves the right to use preferences and a lottery, if needed, to select the appropriate number of eligible borrowers (homebuyers) to become pre-qualified. Selected eligible borrowers (homebuyers) will be referred to an approved lender to complete *Form A-4: Uniform Residential Loan Application 1003* and become pre-qualified for the first mortgage. Borrowers (homebuyers) must submit a copy of the pre-qualification letter to the City. Borrowers (homebuyers) have 60 days after selection from the wait list to become pre-qualified or they will forfeit their eligibility. Completing this step does not guarantee placement in a home or receipt of funding. However, borrowers (homebuyers) will be offered a BMR unit and/or funding on a first come first served basis determined by the submission date of the pre-qualification letter.
 - Complete Form A-4: Uniform Residential Loan Application 1003
 - Read Attachment A-3: Resident Selection Plan
4. **Wait List Recertification**—To remain on the wait list, borrowers (homebuyers) must maintain eligibility. At least once each year, the City will contact borrowers (homebuyers) who have not yet become homebuyers to request certification of continuing eligibility and household composition by completing EITHER *Form A-5: DAP Wait List Recertification* OR *Form A-6: AHP/GAP/IDA Wait List Recertification*. If a borrower (homebuyer) does not complete the Recertification within the requested time frame, he or she will be removed from the wait list. Borrowers (homebuyers) must keep the City informed about current mailing address, telephone contact information, changes in place of employment, household composition, or any substantial increase of income that may affect eligibility.
 - Complete Form A-5: DAP Wait List Recertification OR Form A-6: AHP/GAP/IDA Wait List Recertification

5.

Second Mandatory First Time Homebuyer Class / Final City Application—Available BMR units and/or City funding will be offered on a first come first served basis determined by the submission date of the pre-qualification letter. Within 60 days of BMR unit and/or funding offer, borrowers (homebuyers) must attend a second City-sponsored First Time Homebuyer class, obtain a first mortgage from a City-approved lender and submit the final application. Borrowers (homebuyers) should be ready to supply credit information, employment and income data, asset and other information for the City loan and/or the first mortgage application(s). Every member of the household 18 years of age or older who intends to live in the unit must submit their income and asset information and state the amount of their personal contribution in *Form A-7: Final City DAP Application* OR *Form A-8: Final City AHP Application* OR *Form A-9: Final City GAP Application*. Wait list status and allocation of funds will be maintained by the City only.

- Complete Form A-7: Final City DAP Application OR Form A-8: Final City AHP Application OR Form A-9: Final City GAP Application
- Read Attachment A-4: Eligible Residences and Attachment A-5: Financing and Legal Requirements

DAP only: Within 60 days of funding offer, borrowers (homebuyers) must also select an eligible property. Final application for a DAP loan must be submitted to the City by the approved lender.

AHP only: Homebuyers of a BMR unit who are not using the GAP loan must secure first mortgage financing from an approved lender and then directly submit to the City the final City AHP Application.

GAP only: Final application for a GAP loan must be submitted to the City by the approved lender.

6. Finalize City Documents—All borrowers (homebuyers) must sign City documents, including a Deed of Trust. The City will provide these documents after approval of the final City application.
 - See Form A-10: City Legal Document Overview

DAP only: Borrowers (homebuyers) must also sign the City Loan Agreement and Promissory Note.

AHP only: Borrowers (homebuyers) must also sign the Refinance and Resale Limitation Agreement and Option to Purchase and Disclosure Statement. (BMR units sold through the program are subject to restrictions for 45 years. Upon sale of the property to a new eligible household the 45 year restriction begins again.)

GAP only: Borrowers (homebuyers) must sign the City Loan Agreement, Promissory Note and the documents required under the AHP (BMR units sold through the program are subject to restrictions for 45 years. Upon sale of the property to a new eligible household the 45 year restriction begins again.)

7.

Required Owner Occupancy—Prior to close of escrow and on an annual basis, borrowers (homebuyers) must provide a notarized certification that the unit has been purchased and shall be maintained as the homebuyer's primary place of residence. Other documentation will be required to verify owner occupancy. If the City determines that a borrower (homebuyer) has willfully made false statements or misrepresented any facts on this annual certification in order to appear eligible to retain ownership of their unit, the City will treat this as a breach of the Deed of Trust and/or Refinance and Resale Limitation Agreement and Option to Purchase and will force loan repayment and/or the sale of the unit.

- Complete Form A-11: Owner Occupant Affidavit

8. Maintenance—Homeowners are responsible for maintaining their units in a sound and sanitary condition.

- Read Attachment A-6: Maintaining the Unit

9. Transferring or Selling the Unit—Units may be only sold or transferred according to the specific provisions in the City's Deed of Trust. Units may be sold at any time and any City loans will be due and payable.

- Read Attachment A-7: Selling and Transferring the Unit

AHP/GAP Only: An owner of a BMR unit who decides to sell or transfer a BMR unit must notify the City Housing Division in writing and follow City procedures. The resale price of a BMR unit shall be limited to an affordable housing cost. Any sale or attempt to sell the BMR unit outside the program parameters will be void, and the borrower (homebuyer) subject to civil and criminal penalties.

See Appendix A for relevant attachments and forms.

G. City Procedures

The City of Brentwood, Housing Division (City) is the designated program administrator for the First Time Homebuyer Programs. The City may delegate part of its administrative functions to participating lenders through *Form C-1: Lender Participation Agreement* and *Form C-2: Lender Quality Commitment*.

10. Opening of the Wait List—The City shall be responsible for administration of the wait list of eligible participants. When appropriate, the City will exercise its discretion to open the wait list, solicit applications to the wait list and close the wait list according to the availability of funds. The City will advertise the opening of the wait list via the City's website and program brochures. During the open wait list period, the City will accept and review *Form A-1: Initial DAP Application* and *Form A-2: Initial AHP/GAP/IDA Application*. The City will notify applicants within 14 days of submittal of their application and provide information of their status on the wait list.

11. 1st First Time Homebuyer Class—The City will contact eligible borrowers (homebuyers) with confirmed status on the wait list to attend a mandatory City-sponsored First Time Homebuyer class and bring *Form A-3: Verifiable Document Checklist* along with verifiable documentation. City (or consultant) will issue *Form B-1: Certificate of Completion* at the end of the class.

12. Preliminary Eligibility Determination—The City will perform preliminary determination of borrower (homebuyer) eligibility and preferences through document review.

13. Referral to Approved Lender—In the event that the number of eligible borrowers (homebuyers) on the wait list is much larger than the level of annual funding or availability of BMR units, the City will use preferences and a lottery, if needed, to select the appropriate number of eligible borrowers (homebuyers) to become pre-qualified. Selected eligible borrowers (homebuyers) will be referred to an approved lender to complete *Form A-4: Uniform Residential Loan Application 1003* and become pre-qualified for the first mortgage. Borrowers (homebuyers) will have 60 days to become pre-qualified and must submit a copy of the pre-qualification letter to the City. Borrowers (homebuyers) will be offered a BMR unit and/or funding on a first come first served basis determined by date of submission of the pre-qualification letter.
14. 2nd First Time Homebuyer Class / Final Application—Available BMR units and/or City funding will be offered on a first come first served basis determined by the submission date of the pre-qualification letter. Within 60 days of BMR unit and/or funding offer, borrowers (homebuyers) must attend a second City-sponsored First Time Homebuyer class, obtain a first mortgage from a City-approved lender and submit the final application. The City will accept and review the final applications and make a determination as to completeness and accuracy.
- DAP only:** The City will receive *Form A-7: Final City DAP Application* from an approved lender on behalf of the borrower (homebuyer).
- AHP only:** The City will work with AHP homebuyers to complete *Form A-8: Final City AHP Application* after the homebuyer has obtained first mortgage financing from an approved lender.
- GAP only:** The City will receive *Form A-9: Final City GAP Application* from an approved lender on behalf of the borrower (homebuyer).
15. DAP/GAP City Loan Commitment (DAP/GAP Only)—After the Final City DAP/GAP Application has been approved, the City will issue a City Loan Commitment to the lender. Completion of the Commitment reserves City funds for that purchase. The City will maintain a cumulative total of loan amounts reserved. When program funds are about to be depleted, City will notify approved lenders.
16. City Documents and Escrow—The City will forward appropriate City loan documents to a selected escrow officer with instruction for closing the loans. The City will issue First-Time Homebuyer funds by check as instructed on *Form C-3: Funding Request and Escrow Information Sheet*.
- DAP only:** Borrowers (homebuyers) must sign *Form B-2: DAP Loan Documents*, and applicable attachments.
- AHP only:** Borrowers (homebuyers) must sign *Form B-3: Refinance and Resale Limitation Agreement and Option to Purchase*, and applicable attachments.
- GAP only:** Borrowers (homebuyers) must sign *Form B-4: GAP Loan Documents*, and applicable attachments and AHP documents.
17. Wait List Recertification—At least once each year, the City will contact borrowers (homebuyers) on the wait list who have not yet become homebuyers to request certification of continuing eligibility by completing *Form A-5: DAP Wait List Recertification* or *Form A-6: AHP/GAP/IDA Wait List Recertification*. Ineligible borrowers (homebuyers) will be removed from the wait list.
18. Monitoring—The City will monitor and audit compliance with program requirements. At least annually City Housing Division staff will contact homeowners to complete *Form A-11: Owner*

Occupant Affidavit to verify continued owner occupancy.

19. AHP/GAP Sale of BMR Units—BMR units must be sold to eligible households approved by the City. If the owner cannot locate an eligible household, the unit shall be offered for sale to the City or its designee. The City shall oversee all sales procedures and calculation of the resale price. A City Building Inspector (or consultant) will conduct an inspection for routine maintenance so that the unit is ready to show to prospective purchasers. The City will calculate the future Affordable Housing Cost based on the original purchase price and the percent change in median income for Contra Costa County.
 - Read Attachment B-1: Affordable Housing Cost Calculations

H. Lender Procedures

A lender is defined as a financial institution, whether broker, retail, or wholesale, licensed to make first mortgage loans in the state of California. All brokers, retail and wholesale lenders who wish to participate in the City program must be enrolled as an approved lender. To enroll and maintain active status as an approved lender, a lender must do the following:

20. Initial Commitment—In order to become an approved lender, a financial institution must sign *Form C-1: Lender Participation Agreement* with *Form C-2: Lender Quality Commitment* attached, designate a contact person for the program, and perform its lending duties in accordance with the Lender Quality Commitment.
 - Complete Form C-1: Lender Participation Agreement and Form C-2: Lender Quality Commitment
21. Lender Training—All lending personnel involved with the City program must attend City training sessions and/or apply procedures described in the City of Brentwood First Time Homebuyer Program Administrative Procedures Manual. All loan processors must be provided a copy of the City of Brentwood First Time Homebuyer Program Administrative Procedures.
22. Pre-qualification Process—Lender will work with eligible borrowers (homebuyers) who have been referred by the City to complete *Form A-4: Uniform Residential Loan Application 1003* and become pre-qualified for the first mortgage. The lender will qualify the borrower (homebuyer) for the first mortgage using standard underwriting procedures. Lender will issue a pre-qualification letter to borrower, and borrower must submit a copy of their letter to the City. Lender should describe parameters of the City programs to borrowers (homebuyers) and verify eligibility.

23. First Mortgage and City Loan Application—The first mortgage must be obtained from an approved lender. The lender will qualify the borrower (homebuyer) for the first mortgage using standard underwriting procedures. If needed, the lender must submit the DAP and GAP applications to the City on behalf of the borrower.

DAP only: *Form A-7: Final City DAP Application* must be submitted to the City by the approved lender for a DAP loan. The lender must certify to the best of the lender's knowledge that the borrower's (homebuyer's) statements are true, correct and consistent with the information submitted in connection with the City loan application.

GAP only: *Form A-9: Final City GAP Application* must be submitted to the City by the approved lender for a GAP loan. The lender must certify to the best of the lender's knowledge that the borrower's (homebuyer's) statements are true, correct and consistent with the information submitted in connection with the City loan application.

24. DAP/GAP City Loan Commitment (DAP/GAP Only)—Upon borrower (homebuyer) approval, the City will issue a City Loan Commitment that is valid for 120 calendar days. Prior to expiration of the Commitment, the lender must either: submit the closing package; submit written notice of loan cancellation; or request a 30-day extension.

- Read Attachment C-1: City Loan Commitment

25. Finalize All Loan Documents—Lender will forward first mortgage loan documents and City will forward appropriate City loan documents or resale restrictions, as applicable, to selected escrow officer with instruction for closing the loans. (See *Form B-2: DAP Loan Documents*, *Form B-3: Refinance and Resale Limitation Agreement and Option to Purchase* and *Form B-4: GAP Loan Documents*.) Before the expiration of the 120-day commitment and prior to recordation, escrow officer forwards copies of the executed Loan Documents (both Lender and City, if applicable and resale restrictions, if applicable) back to the City. These documents will include, as applicable: conformed copy of Deed of Trust, conformed copy of Refinance and Resale Limitation Agreement and Option to Purchase, original Promissory Note, Truth in Lending Statement, and all outstanding loan conditions listed on the City Loan Commitment Letter.⁴

26. Funding Request and Escrow Information (DAP/GAP Only)—Lender/Escrow will send City instruction for issue of City loan funds using *Form C-3: Funding Request and Escrow Information Sheet*. Any secondary fund issuances that are issued due to errors on behalf of the Lender, Escrow or Title Company will require a \$30.00 re-issue fee and shall be paid by the party at fault.

- Complete Form C-3: Funding Request and Escrow Information Sheet

⁴ Escrow officer sends original Deed of Trust and Refinance and Resale Limitation Agreement and Option to Purchase to County Recorder's Office.

FIRST TIME HOMEBUYER PROGRAMS ELIGIBILITY REQUIREMENTS

1. First Time Homebuyer

Borrowers (homebuyers) must be first time homebuyers. The borrower (homebuyer) shall be considered a first-time homebuyer if they have not had an ownership interest in any principal residence (a home in which they lived) during the three-year period prior to the execution of the mortgage loan. Owners of mobile homes without permanently affixed foundations qualify as first time homebuyers.

2. Household Composition

A household is comprised of one or more persons who may or may not be related and will live together in the unit. All members of the household must include their income in the total annual household income. Every person who will be on title must meet all eligibility requirements, go through every step of the application and purchase process, and agree to comply with the program requirements. The City will accept applications from more than one adult who will live together in the unit as co-applicants. Married couples must apply as co-applicants and both must be on title unless they are legally separated. The combined income and assets of all adult household members must not exceed the maximum income and asset limits of the program. If the borrowers (homebuyers) are proposing to combine households with the purchase of the unit, each household must meet minimum eligibility requirements and their combined income must meet the household income limits.

An unborn child can be counted in household size once there is medical confirmation of pregnancy. An adoption in process will be counted in family size with verification of the adoption process. A child will be considered part of the household when the child lives with a single parent for at least 75% of the time or in instances of joint custody, at least 50%. The borrower (homebuyer) will need to submit a copy of the divorce decree and/or child custody agreement as verifiable documentation. If a divorce is in process and support has not been agreed to and recorded in Court, it may not be possible to qualify a borrower (homebuyer) because household size and financial status is unclear.

3. Income Limits

All Programs

The Brentwood City Council established the First Time Homebuyer Programs with the principle that assistance shall be provided only to moderate, low or very low income households. The IDA program is currently limited to very low income households.

The income limits that define moderate, low and very low income households are updated annually by the U.S. Department of Housing and Urban Development (HUD) and the State of California Department of Housing and Community Development (HCD). (See Attachment A-2 for a description of income inclusions and exclusions.)

As of April 1, 2005, the following maximum income limits apply:⁵

	Maximum Allowable Income by Household Size							
	1	2	3	4	5	6	7	8

⁵ These limits are updated annually. Please contact the Housing Division for updated income limits.

DAP	\$69,050	\$78,900	\$88,800	\$98,650	\$106,550	\$114,450	\$122,350	\$130,200
AHP/GAP	\$63,300	\$72,350	\$81,400	\$90,420	\$97,650	\$104,900	\$112,200	\$119,350
IDA Program	\$29,000	\$33,100	\$37,250	\$41,400	\$44,700	\$48,000	\$51,530	\$54,650

DAP

The DAP will be limited to very low, low and moderate income households, as defined by HCD, using HUD standards. HCD defines moderate income as households earning a maximum annual income that is 120 percent of area median income (AMI).

AHP / GAP

The AHP/GAP will be limited to very low, low and moderate income households, as defined by California Community Redevelopment Law (CRL). CRL defines moderate income as households earning a maximum annual income that is 110 percent of AMI.

IDA

The IDA will be limited to very low income households, as defined by HCD and CRL. Both HCD and CRL define very low income as households earning a maximum annual income that is 50 percent of AMI.

4. Required Personal Contribution

All Programs

The borrower (homebuyer) must have sufficient readily available assets for personal contribution in the required amount as described below. Verification of total assets will be required. (See Attachment A-2 for a description of allowable assets and verifiable documents.)

DAP

At the time of purchase of a unit, the borrower (homebuyer) must have a minimum of 3 percent of the purchase price in readily available funds to pay toward the down payment and closing costs. The borrower (homebuyer) may use other approved assistance programs to assist in obtaining the funding needed to pay for the total cost of the downpayment and/or closing costs.

AHP / GAP

At the time of purchase of a BMR unit, the borrower (homebuyer) must have the greater of 3 percent of the purchase price or \$4,000 in readily available funds to pay toward the down payment and/or closing costs or have successfully completed the IDA program. The borrower (homebuyer) may use other approved assistance programs to assist them in obtaining the funding needed to pay for the total cost of the downpayment and/or closing costs.

IDA

Participants must outline a schedule of monthly payments to complete savings goal. Participants must complete personal savings within three years, but no earlier than 18 months. If three monthly payments are missed for reasons other than approved emergency or leave of absence, the participant is no longer eligible for matching funds.

5. Asset and Gift Limits

Gifts of funds are included in eligibility considerations and may not exceed a total of \$11,000. Gifts may be used for the borrower's personal contribution. The borrower (homebuyer) must submit a "gift letter" signed by the granter stating that the money is a gift that is not to be repaid.

Assets included in eligibility considerations are separated into liquid assets and other cash assets. The sum of liquid and other cash assets is used to determine availability of required personal contribution. (See Attachment A-2 for a description of liquid assets.) If liquid cash assets are not sufficient to meet the required personal contribution as described above, the borrower (homebuyer) will need to demonstrate that the cash requirement can be met from some other cash assets. (See Attachment A-2 for a description of other cash assets). Liquid assets (including the required personal contribution) may not exceed the greater of \$15,000 or 10 percent of the purchase price.

6. Owner Occupied

Within 60 days of close of escrow, the borrower (homebuyer) and the entire household must occupy the unit as their primary residence and remain in residence. Any residential unit where more than 15 percent of the total area of the residence will be used for a trade or business and which qualifies the borrower (homebuyer) for a tax deduction for business expenses for business use of the residence under Section 280A of the IRS code is not eligible.

Occupancy is defined as a minimum stay of ten months in every twelve month period. If an employer requires the borrower (homebuyer) to work at another location more than 40 miles from Brentwood on a short-term temporary basis, and the borrower (homebuyer) needs to relocate his/her residence temporarily (more than two months), the borrower (homebuyer) must contact the City Housing Division prior to the relocation to notify them of the temporary involuntary relocation and provide all documentation requested.

The borrower (homebuyer) may not terminate occupancy of the unit or allow the occupancy of the unit by anyone who is not a member of the borrower's household. All borrowers (homebuyers) who are on title to the unit must occupy the unit. If the borrower (homebuyer) violates these occupancy restrictions, the City will pursue its available remedies, including loan repayment and/or sale of the unit.

The unit may not be rented. The City will require the borrower (homebuyer) to reimburse the City for all rent that was collected or the amount of any presumed rent, based upon established market rents. In any instance that the City determines that the unit has been rented, the City will pursue its available remedies, including loan repayment and/or the sale of the unit.

7. City Homebuyer Classes

All borrowers (homebuyers) will be required to participate in two City First Time Homebuyer Classes. After the borrower (homebuyer) is determined to be eligible for a first time homebuyer program the borrower (homebuyer) is required to attend the first pre-purchase education program offered by the City of Brentwood. Borrowers (homebuyers) will be asked to bring Form A-3: Verifiable Document Checklist along with verifiable documentation to support eligibility, preferences and availability of required personal contribution to the first class. Borrowers (homebuyers) should not bring original documents for supporting documentation. Borrowers (homebuyers) who have been selected to purchase a home must attend a second City-sponsored First Time Homebuyer class.

The borrower (homebuyer) must complete the pre-purchase education classes within a reasonable timeframe established by the City, or they will be removed from the list. At the end of each class, the borrower (homebuyer) will receive a certificate of completion. The certificates of completion must be submitted as proof of participation in the program.

Ongoing Participation (IDA Program)

Participants who lack sufficient down payment funds for immediate home purchase will be selected to participate in the IDA Program based on eligibility and status. Participants will be required to establish IDA savings accounts with the approved financial institution, participate in ongoing financial literacy courses, and make required deposits. At the close of the savings period, the City will make every attempt to have a BMR unit available for participant purchase through the AHP or GAP.

8. Residency/Work Status Preferences

Preference is given to Brentwood residents, full time workers in the City of Brentwood, local emergency services personnel and local school district employees. Residency in Brentwood requires living at a specific address in the City of Brentwood for at least six months prior to submitting a wait list application. Actual residency in Brentwood, not legal residency, is required. Those who simply have a post office box, park overnight or visit in the City are not considered residents. Full-time employment in the City of Brentwood requires 40 hours per week within the City of Brentwood for at least six months prior to submitting a wait list application.

The City will require documentation to verify the claims on the application. Intentionally false statements to gain priority ranking will result in removal of the applicant from the waiting list and permanent ineligibility from the program. (See Attachment A-2 for examples of preference characteristics and verifiable documents.)

9. Eligibility

In order to participate in any of the City's First Time Homebuyer Programs, potential borrowers (homebuyers) must meet eligibility requirements. They must:

Not have owned a primary residence during the past three years within the State of California.

Be a household that is defined as moderate, low or very low income. The Individual Account Program (IDA) is currently limited to very low income households.

Have sufficient readily available assets for required personal contribution to downpayment and closing costs or commit to participate in the City's IDA program.

Not exceed the asset and gift limits.

Occupy the unit as their primary residence and remain in residence with the entire household listed on the application within 60 days of close of escrow

Follow every step of the City's application process if they will be on title to the property. Married couples must apply as co-applicants and both be on title unless they are legally separated.

Participate in two City First Time Homebuyer Classes.

Additionally, preference is given to Brentwood residents, full time workers in the City of Brentwood, local emergency services personnel and local school district employees.

10. Loan Terms

Downpayment assistance for market rate and BMR units will be limited to borrowers who use conventional, fixed-rate loans for the first mortgage. Refinancing of the first loan is not permitted without the prior written approval of City, and will only be approved if it is to achieve a lower interest rate.

Payment of the loan is deferred until the term of the loan. The loan shall become due and payable at the time of the property's transfer of title, unapproved refinancing, sale of the property, or upon the occurrence of any event of default.

Downpayment assistance for market rate units will be repaid using a simple interest rate that is dependent on length of homeownership. Downpayment assistance for BMR units will be repaid using a three percent simple interest rate. IDA loans will be partially forgiven if the borrower (homebuyer) remains in the home for five years or more and fully forgiven if the borrower remains in the home for more than ten years

1.Summary	ES-1
2.Process	ES-1
3.Eligibility	ES-19
4.Loan Terms	ES-19

FIRST TIME HOMEBUYER PROGRAMS
VERIFIABLE DOCUMENTATION OF INCOME, ASSETS AND PREFERENCES

11. Documentation to Support Sources of Income

The gross annual income of all adult household members is considered when determining eligibility. The definition of what is and is not included in annual income follows the current definition used by the California Housing Finance Agency. **The following table presents what to INCLUDE in your annual income. The types of income to be verified and the type of documentation that must be provided, if applicable, include signed copies of the past three years of Federal Income Tax Returns, as well as:**

General Category	Description	Documentation
1. Income from Wages, Bonus, Salaries, Commissions	The gross amount of wages and salaries, before payroll deductions or un-reimbursed employee expenses, commissions, fees, tips, bonuses, gambling winnings, prizes, and other compensation for personal services. (IRS Form 2106 un-reimbursed business expenses CANNOT be deducted from gross income.)	Copies of the last 2 months pay stubs; contract from employer stating wages.
2. Assets and Business Income	(1) All interest and/or dividends earned on assets. (2) The net income from the operation of a business or profession or from the rental of real or personal property. For this purpose, if this operation results in a loss, the loss may not be used to offset income generated from other sources. Any shareholder that owns ten percent or more of any outstanding class of stock in a corporation shall also be deemed to have received income in its proportionate share of net earnings not otherwise distributed in salaries or dividends. (3) The distributive share of partnership income. (4) Periodic payments from a trust fund.	Interest & Dividend Income: Copies of 2 recent statements. Business Income: 2 prior years of tax returns or 1 year of verification of income by a certified public accountant or bookkeeper including profit/loss statements and financial statement.
3. Human Assistance & Services	(1) The full amount of periodic payments received from social security (unless deferred or paid in a lump sum), housing assistance payments, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts. (2) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay. (3) The full amount of public assistance payments.	Retirement & insurance income: Consistent monthly deposits; statements from institution; Social Security documentation. Unemployment & disability income: Award letter from the State Disability institution. Welfare income: Agency Documentation.
4. Alimony, Child Support & Contributions	(1) Periodic determinable allowances, such as alimony and separate maintenance payments received, housing allowances received, and regular contributions or gifts received from persons not residing in the dwelling, where such sums are received on a recurrent basis and which may be reasonably expected to continue. (2) Child support payments received by an applicant for the	Alimony & Child Support: Interlocutory decree that indicates specified payment or proof of non-payment; agreement reached and recorded separately from divorce decree.

	benefit of the applicant's child or children.	Gift Income: Institution, account number and letter signed by grantor.
--	---	---

Income INCLUSIONS, continued:

5. Military	All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the household or spouse (or other persons whose dependents are residing in the unit) who will have a vested interest in the property and receive such pay up to the time of closing.	Copies of last two pay stubs; W-2; Contract signed by military or reserves.
-------------	---	---

The following table presents what to EXCLUDE from your Annual Income:

General Category	Description
1. Gifts & Service Payments	(1) Casual, sporadic, or irregular gifts. (2) Resident service payments in an amount received by a resident for performing a service for the housing authority or owner, on a part-time basis that enhances the quality of life in the development, if it does not exceed \$200 per month.
2. Medical	Amounts that are specifically for, or in reimbursement of, the cost of medical expenses.
3. Lump Sums	Lump-sum additions (other than regular payments) to household assets, such as inheritances, insurance settlements (including payments under health and accident insurance and worker's compensation), capital gains, student financial assistance, settlements for personal or property losses, and property tax rebates.
4. Education	(1) Amounts of education scholarships paid directly to the student or to the educational institution and amounts paid by the Government to a Veteran, for the "cost of attendance" at an education institution. "Cost of attendance" covers not only tuition, but also includes fees, books and miscellaneous expenses for material. (Non-school related veteran's benefits are included in the income calculations). (2) Payments received from the Workforce Investment Act or State or local job training programs. (3) Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under federal work-study programs or under Bureau of Indian Affairs student assistance programs.
5. Foster Care, Adoption, Minors & Students	(1) Foster child care payments or adoption assistance payments, if not used to credit qualify for the loan. (2) Income from employment of minor dependents not on title. (3) Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household and spouse).
6. Human Assistance & Services	(1) The value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1977 U.S.C. Sections 2011 and 2027, which is in excess of the amount actually charged the eligible household. (2) Payments to volunteers under the Domestic Volunteer Service Act of 1973. (3) Payments of Allowances made under the Department of Health and Human Services Low-Income Home Energy Assistance Program. (4) Home care payments for developmentally disabled children or adult family members. (5) Deferred periodic payments of supplemental security income and social security benefits that are received in a lump sum. (6) Income of a live-in aide, as defined in 24 CFR §5.403. (7) Adoption assistance payments in excess of \$480 per adopted child. (8) Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to PHAs and housing

	owners identifying the benefits that qualify for this exclusion. (9) The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990.
--	--

Annual Income EXCLUSIONS, continued:

7. Government Payments & Credits	(1) Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit. (2) Reparation payment paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era. (3) Payments received from programs funded under Title V of the Older Americans Act of 1985. (4) Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in In Re Agency product liability litigation. (5) Earned income tax credit (EITC) refund. (6) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire. (7) Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act.
8. Native Americans	(1) Payments received under the Alaska Native Claims Settlement Act. (2) Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes. (3) Income derived from the disposition of funds to the Grand River Bank of Ottawa Indians. (4) The first \$2000 of per capita shares received from judgment funds awarded by the Indian Claims commission for the U.S. Claims Court, the interests of individual Indians in trust or restricted lands, including the first \$2000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands. (5) Payments received under the Maine Indian Claims Settlement Act of 1980. (6) Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation.
9. Allowances & Compensation	(1) Allowances, earnings and payments to AmeriCorps participants under the National and Community Service Act of 1990. (2) Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is a child of a Vietnam veteran. (3) Allowances, earnings and payments to individuals participating in programs under the Workforce Investment Act of 1998.

12. Assets

An asset is a cash or non-cash item that can be converted to cash. The value of necessary items such as furniture and automobiles is not included. An asset's cash value is the market value less reasonable expenses required to convert the asset to cash, including penalties or fees for converting financial holdings and costs for selling real property. The cash value (rather than the market value) of an item is counted as an asset. The definition of what is and is not included in assets follows the current definition described in the U.S. Code of Federal Regulations and provided on the website of the U.S. Department of Housing and Urban Development: <http://www.hud.gov/offices/cpd/affordablehousing/training/calculator/definitions/treatment/inclusions.cfm>

Assets are separated into liquid assets and other cash assets. Liquid assets may not exceed a certain amount for borrower (homebuyer) eligibility while the sum of liquid and other cash assets is used to determine availability of required personal contribution. (See Attachment A-1: Eligibility Requirements.)

a. Documentation to Support Liquid Assets

The liquid assets of all household members are considered when determining eligibility. Liquid assets may not exceed the amount as outlined in Attachment A-1: Eligibility Requirements. Following are the types of assets to be verified and the type of documentation that will be requested:

Liquid Asset	Documentation
1. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc.	Copies of two most recent statements indicating balances.
2. Equity in rental property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs (e.g., broker fees) that would be incurred in selling the asset. Other capital investments include the cash value of stocks (including options), bonds, Treasury bills, certificates of deposit and money market accounts.	Copy of certificate or proof of purchase and statement of current value; for stock prices attach a copy of recent dated newspaper or online source that shows the value of each company's stocks; copies of two most recent statements indicating balances.
3. Cash value of revocable trusts available to the applicant.	Copies of two most recent statements indicating balances.
4. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.	Certified appraisals.
5. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements and other amounts not intended as periodic payments	Gift letter; letter from institution; loan agreement.

b. Other Cash Assets

If liquid cash assets are not sufficient to meet the minimum participant contribution, the borrower (homebuyer) will need to demonstrate that the cash requirement can be met from some other source(s). Assets that may be included are:

Other Cash Asset	Documentation
1. Individual retirement and Keogh accounts (even though withdrawal would result in a penalty); retirement and pension funds.	Copies of two most recent statements indicating balances, interest rates, documentation stating penalties for withdrawal.
2. Cash value of life insurance policies available to the individual before death (e.g., surrender value of a whole life or universal life policy).	Copy of Policy and most recent statements.
3. Individual Development Account Match.	Copy of two most recent statements.
4. Other.	Verification.

While mortgages or deeds of trust held by an applicant would be included in the definition of total assets, ownership of property in the past three years would exclude borrower (homebuyer) eligibility for City of Brentwood First Time Homebuyer Programs.

The following table presents what to **EXCLUDE** from assets:

1. Necessary personal property, except as noted in number 4 of Liquid Assets, such as clothing, furniture, cars and vehicles specially equipped for persons with disabilities.
2. Interest in Indian trust lands.
3. Assets not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated by the asset.
4. Equity in cooperatives in which the family lives.
5. Assets not accessible to and that provide no income for the applicant.
6. Term life insurance policies (i.e., where there is no cash value).
7. Assets that are part of an active business. "Business" does not include rental of properties that are held as an investment and not a main occupation.

13. Documentation for Preferences

The following are current preference characteristics and the type of documentation that the City will consider as verifiable proof:

Preference Characteristic	Documentation
Reside in Brentwood: Minimum of 6 months	Copies of current and past leases; utility bills at home address; signed tax returns; written statement from the landlord or property manager indicating length of time at that address; cancelled checks or bank statements showing consistent payment each month.
Work in Brentwood: Minimum of 6 months	Copies of pay stubs; W-2s or 1099 Forms; Employment Verification Statement(s).
Emergency services personnel: East Diablo Fire District Brentwood Police Dept. EMT / medical personnel	Copy of pay stub; statement from Human Resources regarding tenure.
School District employee: Brentwood Union School District Liberty Union High School District Los Medanos – Brentwood campus	Copy of pay stub; statement from Human Resources regarding tenure.



**FIRST TIME HOMEBUYER PROGRAMS
SELLING AND TRANSFERRING THE UNIT**

DAP

A unit purchased with the aid of a DAP loan may be sold or transferred at any time. The loan is due and payable at the time of sale or transfer, according to the terms outlined in Attachment A-5: Financing and Legal Requirements. A borrower may, however, negotiate with the City the transfer of a loan to a third party, such as a child or spouse.

AHP

General

An owner of a BMR unit who decides to sell or transfer a BMR unit must notify the City Housing Division in writing and follow City procedures and the provisions of the Refinance and Resale Limitation Agreement and Option to Purchase. The owner must cooperate with the City in providing necessary documents and complying with appointments needed to complete the sales transaction. The owner shall ensure that the unit is clean and in good repair and available to be shown to prospective buyers.

BMR units shall be sold and resold only to persons determined to be eligible for BMR units. It is not permissible for an owner of a BMR unit to approach a real estate agent and attempt to sell the BMR unit to an ineligible buyer or at market value. Any sale or attempt to sell the unit outside the program parameters will be void, and the owner shall be subject to severe civil and criminal penalties.

Permissible Transfers

Under the terms of the Refinance and Resale Limitation Agreement and Option to Purchase, the following are permissible transfers that do not require the City's prior written approval so long as the transferee's household (i.e., the persons or persons acquiring ownership of the BMR unit) qualifies as an Eligible Household under the terms of the agreement and occupies the unit in compliance with the terms of the agreement:

- Transfer by gift, devise or inheritance to the spouse, issue or adopted child of the owner;
- Transfer resulting from death of an owner when the transfer is to a co-owner or joint tenant;
- Transfer to any person who becomes a co-owner of the unit provided (i) the original owner retains at least a 33% interest in the unit, (ii) the co-owner and owner together qualify as an Eligible Household, and (iii) the co-owner agrees to be bound by the Refinance and Resale Limitation Agreement and Option to Purchase by signing a copy and delivering it to the City
- Transfer of title to a spouse resulting from divorce;
- Decree of dissolution or legal separation or from a property settlement agreement incidental to such a decree in which one of the owners becomes the sole owner;
- Acquisition of title to the unit or interest therein in conjunction with marriage; or

A transfer between co-owners or a transfer by owner into an inter vivos trust in which owner is a beneficiary and owner continues to occupy the unit.

City's Option to Purchase and Escrow Time Period

As described in Form B-3: Resale and Refinancing Restriction Agreement, if an owner cannot locate an eligible household, the BMR unit may be offered for sale to the City. In the event the City does not exercise the purchase option within 90 days or the City does exercise the option but fails to close the transaction for any reason other than a default by the owner, the owner can sell the BMR unit at market price to any buyer without resale restrictions for a period of 180 days after the date City's option expired or City failed to close.

Future Affordable Resale Price

The sales price for the BMR Units is restricted for forty-five years. As stated in the Resale and Refinance Limitation Agreement, the price received by the seller of a BMR unit shall be limited to the Affordable Housing Cost, correlated with their income level. The Affordable Housing Cost is calculated based on the original purchase price and the percent change in median income for Contra Costa County at the time of purchase and the median income at the time of sale or transfer. Monthly homeowner association dues are not calculated in the sales price. (See Attachment B-1 for a sample Future Affordable Housing Cost Calculation.)

Penalties

The City will pursue its available remedies against any individual who sells a BMR unit in violation of the provisions of the Refinance and Resale Restriction Agreement and Option to Purchase, including repayment of the funds received by the owner in excess of the Affordable Housing Cost and civil or criminal penalties.

GAP

A BMR unit purchased with the aid of a GAP loan may be sold or transferred at any time. An owner of a BMR unit who decides to sell or transfer a BMR unit must notify the City Housing Division in writing and follow AHP procedures as outlined above, and the provisions of the Refinance and Resale Limitation Agreement and Option to Purchase.

The loan is due and payable at the time of sale or transfer, according to the terms outlined in Attachment A-5: Financing and Legal Requirements. A borrower may, however, negotiate with the City the transfer of a loan to a third party, such as a child or spouse.

FIRST TIME HOMEBUYER PROGRAMS
RESIDENT SELECTION PLAN

14. First Time Homebuyer Selection Process

In order to be placed on the wait list during an open period, prospective borrowers (homebuyers) who meet the eligibility criteria must submit EITHER Form A-1: Initial DAP Application or Form A-2: Initial AHP/GAP/IDA Application to the City by the deadline date. Only complete applications received by the deadline date will be reviewed—see the program brochure or contact the Housing Division at (925) 516-5305 for the deadline date.

The borrower (homebuyer) will be notified within 14 days of their status;

When the City determines that the borrower (homebuyer) may be eligible, the borrower will be invited by the Housing Division to attend the first of two mandatory First Time Homebuyer classes. The borrower needs to bring Form A-3: Verifiable Document Checklist and documents to support eligibility, preferences and availability of required personal contribution.

After document verification, borrowers (homebuyers) will be selected by priority status as stated below and a lottery, if necessary, for referral to a City approved lender for pre-qualification. In the event that the City determines the need for a lottery, it will be conducted as follows:

- Eligible priority applicants will be placed in a single lottery pool, to which approximately forty percent of the available pre-qualification slots shall be first made available.
- Eligible non-priority applicants will then be placed in the pool of remaining priority applicants for the remainder of the pre-qualification slots.

Selected eligible borrowers (homebuyers) will be referred to an approved lender to complete Form A-4: Uniform Residential Loan Application 1003 and become pre-qualified for the first mortgage. Borrowers (homebuyers) must submit a copy of the pre-qualification letter to the City. Borrowers (homebuyers) have 60 days after selection from the wait list to become pre-qualified or they will forfeit their eligibility. Completing this step does not guarantee placement in a home or receipt of funding.

Available BMR units and/or City funding will be offered on a first come first served basis determined by the submission date of the pre-qualification letter. Within 60 days of BMR unit and/or funding offer, borrowers (homebuyers) must attend a second City-sponsored First Time Homebuyer class, obtain a first mortgage from a City-approved lender and submit the final application.

- DAP only: Within 60 days of funding offer, borrowers (homebuyers) must also select an eligible property. Final application for a DAP loan must be submitted to the City by the approved lender.
- AHP only: Homebuyers of a BMR unit who are not using the GAP loan must secure first mortgage financing from an approved lender and then directly submit to the City the final City AHP Application.
- GAP only: Final application for a GAP loan must be submitted to the City by the approved lender.

Selected pre-qualified borrowers (homebuyers) will be given two opportunities to refuse funding and/or purchase of an available BMR unit. After the second refusal, the borrower (homebuyer) will be removed from the wait list. Borrowers (homebuyers) may apply to future waiting lists.

All borrowers (homebuyers) must sign City documents and a notarized certification that the unit has been purchased and shall be maintained as the homebuyer's primary place of residence.

15. Priorities For Eligibility

Preference is given to Brentwood residents, full time workers in the City of Brentwood, emergency services personnel and school district employees. Residency in Brentwood requires living at a specific address in the City of Brentwood for at least six months prior to submitting a wait list application. Actual residency in Brentwood, not legal residency, is required. Those who simply have a post office box, park overnight or visit in the City are not considered residents. Full-time employment in the City of Brentwood requires 40 hours per week within the City of Brentwood for at least six months prior to submitting a wait list application.

All of the above preferences will be weighted on an equal basis, regardless of the number of criteria met by a single applicant.

The City will require documentation to verify the claims on the application. Intentionally false statements to gain priority ranking will result in removal of the applicant from the waiting list and permanent ineligibility from the program. (See Attachment A-2 for examples of preference characteristics and verifiable documents.)

Note: Funds and BMR units are limited. Therefore, the number of loans approved/distributed will depend on the amount of eligible applications received and the amount of funding/BMR units available.

FIRST TIME HOMEBUYER PROGRAMS ELIGIBILITY OF PROPOSED HOME

All Programs

The borrower (homebuyer) must obtain the services of a licensed real estate broker or consultant approved by the City to assist with the purchase. In the event of new construction, the borrower (homebuyer) may use the builder's sales office. Within 60 days of close of escrow, the borrower (homebuyer) who is listed on the title to the property must occupy the unit as their primary residence and remain in residence. Any residential unit where more than 15% of the total area of the residence will be used for a trade or business and which qualifies the borrower (homebuyer) for a tax deduction for business expenses for business use of the residence under Section 280A of the IRS code is not eligible.

AHP, GAP & IDA Programs

The City of Brentwood will make BMR units available to eligible homeowners. BMR units sold through the program are subject to restrictions for 45 years. Upon sale of the property to a new eligible household, the 45 year restriction begins again. (See Form B-3 for a sample copy of the Resale Restriction Agreement.) For IDA participants, in order to receive matching funds, account holder must use funds to purchase a home within the City of Brentwood in tandem with the AHP or GAP.

The City of Brentwood determines the Affordable Housing Cost for each income category and sets BMR home prices accordingly.⁶ Current BMR home prices are as follows:⁷

	1 Bdrm	2 Bdrm	3 Bdrm	4 Bdrm	5 Bdrm	6 Bdrm
Very Low Income	\$64,000	\$75,000	\$87,000	\$96,000	\$106,000	\$116,000
Low Income	\$106,000	\$123,000	\$140,000	\$153,000	\$167,000	\$181,000
Moderate Income	\$232,000	\$264,000	\$297,000	\$323,000	\$349,000	\$375,000

DAP

The maximum purchase price is determined by the California Housing Finance Agency. As of August 12, 2005, the maximum price is \$592,765 for a new home and \$569,633 for a resale home.⁸

Loans will be made on residential properties within Brentwood city limits.

Properties can be new or resale single family homes, including detached homes, condominiums, townhouses, half-plexes or manufactured homes that meet FNMA guidelines and are considered real property. The purchase of a multiple unit building is not allowed.

Properties purchased with City assistance must be owner-occupied or vacant. The City will not incur costs for tenant relocation.

Properties purchased with City assistance must meet City of Brentwood building code regulations for health and safety upon occupancy.

⁶ The ratio used for the Affordable Housing Cost calculation may not match that used by a preferred lender to calculate housing cost from an underwriting standpoint.

⁷ These prices may be updated from time to time. Please contact the Housing Division for updated prices. See Form B-1 for detailed information on City Affordable Housing Cost calculations.

⁸ *Id.*



**FIRST TIME HOMEBUYER PROGRAMS
FINANCING AND LEGAL REQUIREMENTS**

All Programs:

Selected pre-qualified borrowers (homebuyers) will apply for the City of Brentwood's First Time Homebuyer Programs in conjunction with conventional mortgage loan application procedures.

DAP / GAP:

Final application for a City DAP/GAP loan must be submitted to the City by the approved lender.

AHP:

Homebuyers of a BMR unit who are not using the GAP loan must secure first mortgage financing from an approved lender and then apply directly to the City for the BMR unit.

All City First Time Homebuyer Programs may only be used with conventional, fixed-rate loans. The City of Brentwood Housing Department does not underwrite the loans.

16. Financial Institution

Borrowers (homebuyers) must obtain financing from one of the following City approved lenders:

Bank of America

Margalit Ir
(925) 513-6243

Estela Maravilla
(Bi-lingual)
(510) 713-4134

Citimortgage

Jacqueline Malic
(Bi-lingual)
(510) 434-3312

Washington Mutual

TBD

Wells Fargo

Susannah Harte
(925) 513-6114

Individual Development Accounts (IDA) will be held at:

Citimortgage

Washington Mutual

17. City Loan Requirements and Loan Limits / Terms

All First Time Homebuyer Loan Programs

The City DAP/GAP loans may only be used with conventional, fixed-rate loans.

Payment of the loan is deferred until the term of the loan. The loan shall become due and payable at the time of the property's transfer of title, refinancing as described below, sale of the property, or upon the occurrence of any event of default.

The loan is not assumable.

The loan will be secured by a Promissory Note and Deed of Trust.

Refinancing of the first loan is not permitted without the prior written approval of City. Refinancing will be approved if it is solely to achieve a lower interest rate. Refinancing that results in any release of funds, typically referred to as a "cash-out" loan, will make the City loan plus accrued interest due and payable.

DAP

The terms of the DAP loan are designed to encourage long-term residency in the program-assisted home.

The maximum loan under this program shall be the lesser of 15 percent of sales price or \$50,000.

The amount of repayment equals the DAP loan (principal) plus a simple interest rate that is dependent on the length of homeownership. The loan may be prepaid at any time without penalty.

If the length of homeownership is three years or less, the interest rate for is seven percent (7%).

If the length of homeownership is from three to ten years, the interest rate is five percent (5%).

The interest rate is three percent (3%) if the length of homeownership is more than ten years.

The City seeks to leverage available funding and make as many DAP loans available as possible.

Therefore, if California Housing Finance Agency High Cost Area Home Purchase Assistance Program (HiCAP) funds are available but the borrower (homebuyer) chooses not to use the HiCAP loan, the interest rate is seven percent (7%), regardless of the length of homeownership.

GAP

The maximum loan under this program shall be up to \$35,000.

No secondary mortgages with shared appreciation terms may be used with the GAP loan.

The first loan may not be financed as described above. Additionally, refinancing cannot cause the monthly housing cost after refinancing to be greater than the Affordable Housing Cost.

The amount of repayment equals the GAP loan (principal) plus a simple interest rate. The loan may be prepaid at any time without penalty.

The interest rate is three percent (3%).

The City seeks to leverage available funding and make as many GAP loans available as possible.

Therefore, if California Housing Finance Agency High Cost Area Home Purchase Assistance Program (HiCAP) funds are available but the borrower (homebuyer) chooses not to use the HiCAP loan, the interest rate is seven percent (7%).

IDA

Savings are matched at a 2:1 ratio, with a loan up to \$10,000.

Funds are only matched if they are used in conjunction with the AHP or GAP Loan.

IDA Loan shall bear no interest. The loan may be prepaid at any time without penalty.

If the length of homeownership is between five and six years, 50 percent of the IDA Loan will be forgiven. For each subsequent year, 10 percent more of the loan is forgiven. If the length of homeownership is over ten years, the entirety of the IDA Loan will be forgiven.

18. Defaults and Foreclosures**All Programs**Violation/Breach of Deed of Trust

The City learns of violations of the Deed of Trust and program restrictions through periodic audits and other resources available to the City. The City may take all actions necessary to verify occupancy of the unit by the person(s) on the title to the unit. Breach of the Deed of Trust or program restrictions may force loan repayment and/or the sale of the unit.

Foreclosure

If a Notice of Default is recorded by a lender or other party on a unit, then a breach of the terms of the Deed of Trust has occurred. The owner's failure to cure the default may result in the City's enforcement of its right to exercise and declare a default.

AHP / GAPForced Sale due to Breach of Refinance and Resale Limitation Agreement and Option to Purchase

Homeowners of BMR units who breach the requirements of the Refinance and Revoke Limitation Agreement and Option to Purchase are violating the City Council's policy to provide a needed public good. Therefore, when the City confirms that a Homeowner has breached the terms of the Refinance and Revoke Limitation Agreement and Option to Purchase, the City may purchase the BMR unit and the Homeowner may be forced to vacate the unit.

Any individual who rents a unit shall be required to forfeit all monetary amounts so obtained and such amounts shall be added to the City's Affordable/First Time Homebuyer housing funds. The City will require the Homeowner to reimburse the City for the all rent that was collected or any presumed rent, based upon established market rents.



FIRST TIME HOMEBUYER PROGRAMS
MAINTAINING THE UNIT

I. Maintenance

All Programs

Owners are responsible for maintaining their units in a sound and sanitary condition. Owners are responsible for payment of homeowner association dues and assessments for general improvements at the housing development.

J. Insurance

All Programs

Owners are responsible for obtaining hazard insurance and liability insurance.

AHP / GAP

A BMR unit must be insured for its full market value. Therefore, the replacement cost may exceed the purchase price of the unit.

K. Capital Improvements

DAP

No restriction on capital improvements.

AHP / GAP

No reimbursement of capital improvements is allowed.



**FIRST TIME HOMEBUYER PROGRAMS
SELLING AND TRANSFERRING THE UNIT**

DAP

A unit purchased with the aid of a DAP loan may be sold or transferred at any time. The loan is due and payable at the time of sale or transfer, according to the terms outlined in Attachment A-5: Financing and Legal Requirements. A borrower may, however, negotiate with the City the transfer of a loan to a third party, such as a child or spouse.

AHP

General

An owner of a BMR unit who decides to sell or transfer a BMR unit must notify the City Housing Division in writing and follow City procedures and the provisions of the Refinance and Resale Limitation Agreement and Option to Purchase. The owner must cooperate with the City in providing necessary documents and complying with appointments needed to complete the sales transaction. The owner shall ensure that the unit is clean and in good repair and available to be shown to prospective buyers.

BMR units shall be sold and resold only to persons determined to be eligible for BMR units. It is not permissible for an owner of a BMR unit to approach a real estate agent and attempt to sell the BMR unit to an ineligible buyer or at market value. Any sale or attempt to sell the unit outside the program parameters will be void, and the owner shall be subject to severe civil and criminal penalties.

Permissible Transfers

Under the terms of the Refinance and Resale Limitation Agreement and Option to Purchase, the following are permissible transfers that do not require the City's prior written approval so long as the transferee's household (i.e., the persons or persons acquiring ownership of the BMR unit) qualifies as an Eligible Household under the terms of the agreement and occupies the unit in compliance with the terms of the agreement:

Transfer by gift, devise or inheritance to the spouse, issue or adopted child of the owner;

Transfer resulting from death of an owner when the transfer is to a co-owner or joint tenant;

Transfer to any person who becomes a co-owner of the unit provided (i) the original owner retains at least a 33% interest in the unit, (ii) the co-owner and owner together qualify as an Eligible Household, and (iii) the co-owner agrees to be bound by the Refinance and Resale Limitation Agreement and Option to Purchase by signing a copy and delivering it to the City

Transfer of title to a spouse resulting from divorce;

Decree of dissolution or legal separation or from a property settlement agreement incidental to such a decree in which one of the owners becomes the sole owner;

Acquisition of title to the unit or interest therein in conjunction with marriage; or

A transfer between co-owners or a transfer by owner into an inter vivos trust in which owner is a beneficiary and owner continues to occupy the unit.

City's Option to Purchase and Escrow Time Period

As described in Form B-3: Resale and Refinancing Restriction Agreement, if an owner cannot locate an eligible household, the BMR unit may be offered for sale to the City. In the event the City does not exercise the purchase option within 90 days or the City does exercise the option but fails to close the transaction for any reason other than a default by the owner, the owner can sell the BMR unit at market price to any buyer without resale restrictions for a period of 180 days after the date City's option expired or City failed to close.

Future Affordable Resale Price

The sales price for the BMR Units is restricted for forty-five years. As stated in the Resale and Refinance Limitation Agreement, the price received by the seller of a BMR unit shall be limited to the Affordable Housing Cost, correlated with their income level. The Affordable Housing Cost is calculated based on the original purchase price and the percent change in median income for Contra Costa County at the time of purchase and the median income at the time of sale or transfer. Monthly homeowner association dues are not calculated in the sales price. (See Attachment B-1 for a sample Future Affordable Housing Cost Calculation.)

Penalties

The City will pursue its available remedies against any individual who sells a BMR unit in violation of the provisions of the Refinance and Resale Restriction Agreement and Option to Purchase, including repayment of the funds received by the owner in excess of the Affordable Housing Cost and civil or criminal penalties.

GAP

A BMR unit purchased with the aid of a GAP loan may be sold or transferred at any time. An owner of a BMR unit who decides to sell or transfer a BMR unit must notify the City Housing Division in writing and follow AHP procedures as outlined above, and the provisions of the Refinance and Resale Limitation Agreement and Option to Purchase.

The loan is due and payable at the time of sale or transfer, according to the terms outlined in Attachment A-5: Financing and Legal Requirements. A borrower may, however, negotiate with the City the transfer of a loan to a third party, such as a child or spouse.